

UNITED STATES DISTRICT COURT
DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC.,
SECURITIES LITIGATION

§
§ CIVIL ACTION NO. 99-371-KAJ
§ (CONSOLIDATED)
§ REDACTED - PUBLIC VERSION

**APPENDIX OF EXHIBITS TO THE DECLARATION OF
JENNIFER R. BRANNEN IN SUPPORT OF THE ADAMS GOLF
DEFENDANTS' MOTION FOR SUMMARY JUDGMENT (Volume 3)**

Of Counsel:

Paul R. Bessette

Jennifer R. Brannen

Michelle A. Reed

Laura L. Moriaty

Akin Gump Strauss Hauer & Feld LLP

300 West 6th Street, Suite 2100

Austin, Texas 78701

Jeffrey L. Moyer (#3309)

moyer@rlf.com

Alyssa M. Schwartz (#4351)

schwartz@rlf.com

Richards, Layton & Finger, P.A.

One Rodney Square, P.O. Box 551

Wilmington, Delaware 19899

(302) 651-7700

Attorneys for Defendants Adams Golf, Inc.,
B.H. Adams, Richard H. Murtland, Darl P.
Hatfield, Paul F. Brown, Jr., Roland E. Casati,
Finis F. Conner, and Stephen R. Patchin

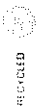
Dated: September 18, 2006

EXHIBIT 365



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International Business Transactions

Professor Ochoa

Room: 257

Office Hours: Thursdays 10:00-12:00 (and by appointment)

Phone: 856-1516

Email: cochoa@indiana.edu

INSTRUCTION

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COURSE MATERIALS

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COURSE DESCRIPTION

This course will introduce students to the mechanics of international business transactions and to the commercial law environment within which those transactions are negotiated and executed. We will focus on the trade and investment activities of private entities, examining in a practical way the documentation necessary to execute various types of transactions and issues that the international lawyer is likely to confront. Although we will touch on certain issues regarding the regulation of international trade, this is not a course in trade law. (That course is offered separately.)

COURSE MATERIALS

1. Casebook ("CB"): Folsom, Gordon & Spanogle, International Business Transactions (6th ed. 2003).
2. Documents Supplement: Folsom, Gordon & Spanogle (2003). Please note that this supplement contains a short, but useful, glossary of international trade terms (pgs 1-27).
3. Supplementary Materials ("R") available at TIS bookstore.

CLASS STRUCTURE

The materials for this course are, for the most part, presented in the form of hypothetical problems followed

by relevant commentaries, cases and statutory excerpts. Accordingly, class discussion will often focus on solving the assigned problems. There will also be occasional drafting assignments, either conducted or discussed in class.

CLASS POLICIES

1. Participation in class is required. My expectation is that we will have active discussion and problem solving in the classroom.
2. Attendance is expected, required and will be checked. Frequent absences may result in your exclusion from the final exam.
3. The grade will be based on a take-home examination. You will be allowed to consult the required texts (including any supplements) as well as any notes or outlines you may have prepared. You are on your honor not to consult outside sources or one another during the exam. Further details regarding the exam will be discussed at a later date.
4. In most cases, the student's grade on the exam will be his grade for the class. I reserve the right, however, to adjust a student's grade upward or downward by a partial letter grade on the basis of participation in and contribution to class.
5. Please be advised that assignments can and may change to incorporate current events.
6. The syllabus is a guide, not a guarantee, of the subjects and pages we will cover.

READING ASSIGNMENTS:

The following list sets forth topics that will be covered during the semester.

INTRODUCTION - FIRST DAY'S READINGS

Please read CB 12 - 26 and 32 - 45.

PART ONE:

INTERNATIONAL CONTRACTS

A. Contract of Sale

Assignment 1: CB 75 - 91: Formation of an international sales contract and the problem of divergent national laws

Assignment 2: CB 91 - 104: A possible solution: the Convention of Contracts for the International Sale of Goods and UNIDROIT Principles

Assignment 3: CB 105 - 127: Using commercial terms in international sales contracts

Assignment 4: CB 136 - 169: Frustration of contract in the international context

B. Carriage Contract (the Bill of Lading)

Assignment 5: CB 127 - 136 and 212 - 220: Carrier responsibility: liability and disclaimers under the bill of lading

Assignment 6: CB 200 - 212 and 220 - 228: Forgery in the bill of lading

C. Letter of Credit

Assignment 7: CB 48 - 75: Putting the sales transaction together

Assignment 8: CB 255 - 292: Applicable law and the strict compliance standard

Assignment 9: CB 292 - 319: The problem of fraud
R- 1) Carriage of Goods by Sea Act and Federal Bills of Lading Act; 2) Sztejn v. J. Henry Banking Corporation

D. Standby Letter of Credit - Performance Guarantee

Assignment 10: CB 319 - 351: The structure of the standby letter of credit

E. Distribution Agreement

Assignment 11: CB 228 - 254: The role of the distributor in international sales

F. Franchise Agreement

Assignment 12: CB 772 - 789: Drafting a franchise agreement

Assignment 13: CB 789 - 805: Public regulation of franchises

G. License Agreement

Assignment 14: CB 864 - 883: Drafting a license agreement and European regulations applicable to licenses

Assignment 15: CB 883 - 892: Licensing within NAFTA

Assignment 16: CB 805 - 836: The problem of counterfeit and gray market goods;
R - Callaway Golf articles

H. Foreign Investment

Assignment 17: CB 894 - 929: Foreign investment considerations

Assignment 18: CB 1039 - 1072: The structure of project finance

I. Joint Venture Agreement

Assignment 19: Guest Lecture (Tentative)

Assignment 20: CB 707 - 735: Negotiating joint ventures: anti-bribery regulations

PART TWO:

ILLEGAL, EXTRALEGAL AND QUESTIONABLE INTERNATIONAL BUSINESS ACTIVITY

Assignment 21: Opting Out of the Legal System
R - 1) Lisa Bernstein, Opting Out of the Legal System; 2) Kal Raustiala, International Narcotics Trafficking; 3) Patently Overpriced

Assignment 22: Violations of law and norms in the course of international business activities
R- 1) Unocal Materials; 2) Ecuador's Bananas; 3) Chevron Texaco audio report at
<http://discover.npr.org/features/feature.jhtml?wfId=1270653>

Assignment 23: Attempts at regulation:
R- 1) Paul Redmond, Transnational Enterprise and Human Rights; 2) UN draft Norms

PART THREE:

LITIGATING INTERNATIONAL CONTRACTS

A. Introduction

Assignment 24: CB 1136 - 1151: Overview of different methods of dispute resolution

B. Personal Jurisdiction Over Foreign Defendants, Forum Selection and Governing Law Clauses

Assignment 25: CB 1151 - 1184: Procedural considerations and preliminary matters

Assignment 26: CB 1185 - 1217: Party autonomy: selecting a forum and a governing law in advance of litigation

C. Extraterritoriality

Assignment 27: CB 1218 - 1248: Applying U.S. regulatory law to overseas conduct, and conducting discovery abroad pursuant to U.S. procedural rules

D. Enforcement of Foreign Arbitral Awards and Foreign Judgments

Assignment 28: CB 1248 - 1276: The enforcement of foreign arbitral awards under the New York Convention; CB 1276 - 1302: The principle of comity and enforcement of foreign money judgments under uniform law

E. Litigating Against a Foreign State

Assignment 29: CB 1086 - 1099: The doctrines of sovereign immunity and act of state: defenses available to foreign nations in litigation in U.S. courts

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EXHIBIT 401

Adams Golf Inc.
Monthly Management Summary
June 1998



ADAMS 001879

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Adams Golf, Inc.
Total Company
Consolidated Monthly Income Statement
For the Six Months Ending June 30, 1998

	Current Month				Year to Date				
	Actual	% of Sales	Budget	Difference	Actual	% of Sales	Forecast	Difference	
				Amount				%	Amount
Net Sales	10,883,360	100.0%	9,826,525	1,056,835	58,328,195	100.0%	52,310,807	6,017,388	11.5%
Cost of Goods Sold	2,467,834	22.7%	2,849,692	(381,858)	13,625,444	23.4%	14,662,254	(1,036,810)	-7.1%
Gross Margin	8,415,526	77.3%	6,976,833	1,438,693	44,702,751	76.6%	37,648,553	7,054,198	18.7%
Operating Expenses:									
Selling and Royalty Expenses	4,639,449	42.6%	2,627,504	2,011,945	17,370,992	29.8%	13,548,114	3,822,878	28.2%
General and Administrative	1,345,955	12.4%	1,101,194	244,761	7,028,916	12.1%	7,521,495	(492,579)	-6.5%
Research & Development	135,248	1.2%	111,378	23,870	673,680	1.2%	606,997	66,683	11.0%
Total Operating Expenses	6,120,652	56.2%	3,840,076	2,280,576	25,073,588	43.0%	21,676,606	3,396,982	15.7%
Operating Profit	2,294,874	21.1%	3,136,757	(841,883)	19,629,163	33.7%	15,971,947	3,657,216	22.9%
Other Income/Expense:									
Interest Income	11,488	0.1%	-	11,488	33,634	0.1%	-	33,634	100.0%
Interest Expense	15,662	0.1%	-	15,662	43,394	0.1%	-	43,394	100.0%
Other	-	0.0%	-	-	(101,222)	-0.2%	-	(101,222)	100.0%
Net Income Before Income Taxes	2,290,700	21.0%	3,136,757	(846,057)	19,518,181	33.5%	15,971,947	3,546,234	22.2%
Income Tax Expense	922,188	8.5%	1,080,331	(158,143)	7,218,671	12.4%	5,867,827	1,350,844	23.0%
Net Income	1,368,512	12.6%	2,056,426	(687,914)	12,299,510	21.1%	10,104,120	2,195,390	21.7%

ADAMS 001881

Adams Gold, Inc.
Total Company
Consolidated Quarterly Income Statement
For the Six Months Ending June 30, 1998

	1st Quarter				2nd Quarter				Year to Date			
	Actual	% of Sales	Forecast	Difference	%	Actual	% of Sales	Forecast	Difference	%	Actual	Difference
Net Sales	24,510,807	100.0%	24,510,807		0.0%	33,817,388	100.0%	27,800,000	6,017,388	21.6%	58,328,195	6,017,388
Cost of Goods Sold	5,882,254	23.9%	5,882,254		0.0%	7,753,190	23.0%	8,850,000	(1,036,810)	-11.8%	13,625,444	(1,036,810)
Gross Margin	18,628,553	76.1%	18,628,553		0.0%	26,064,198	77.0%	19,000,000	7,064,198	37.1%	44,702,751	7,064,198
Operating Expenses:												
Selling and Royalty Expenses	6,248,114	25.5%	6,248,114		0.0%	11,123,878	32.9%	7,300,000	3,822,878	52.4%	17,370,992	3,822,878
General and Administrative	3,421,495	14.0%	3,421,495		0.0%	3,607,421	10.7%	4,100,000	(492,579)	-12.0%	7,028,916	(492,579)
Research & Development	106,997	0.4%	106,997		0.0%	556,683	1.7%	500,000	56,683	13.3%	673,660	56,683
Total Operating Expenses	9,776,606	39.9%	9,776,606		0.0%	15,288,982	45.2%	11,900,000	3,388,982	28.5%	25,073,568	3,388,982
Operating Profit	8,871,947	36.2%	8,871,947		0.0%	18,585,216	54.8%	7,100,000	11,485,216	161.9%	33,654,844	11,485,216
Other Income/Expense:												
Interest Income	10,550	0.0%		10,550	100.0%	23,084	0.1%		23,084	100.0%	33,634	33,634
Interest Expense	9,382	0.0%		9,382	100.0%	34,032	0.1%		34,032	100.0%	43,394	43,394
Other	(100,617)	-0.4%		(100,617)	100.0%	(605)	0.0%		(605)	100.0%	(101,222)	(101,222)
Net Income Before Income Taxes	8,772,518	35.8%	8,871,947	(99,429)	-1.1%	18,745,663	55.5%	7,100,000	11,645,663	164.0%	33,553,634	11,645,634
Income Tax Expense	3,267,827	13.3%	3,267,827		0.0%	3,950,844	11.7%	2,600,000	1,350,844	52.0%	7,218,671	1,350,844
Net Income	5,504,691	22.5%	5,604,120	(99,429)	-1.8%	14,794,819	43.8%	4,500,000	10,294,819	228.8%	26,334,963	10,294,819

ADAMS 001882

Adams Golf, Inc. Operating Analysis

Sales units for the current month and year to date are as follows:

	Current Month					Year to Date				
	Actual		Budget		% Diff.	Actual		Budget		% Diff.
	Units	%	Units	%		Units	%	Units	%	
Drivers	2,174	2%	1,543	2%	41%	9,427	2%	6,737	2%	40%
16o Tight Lies	38,998	43%	34,031	44%	15%	208,902	44%	185,840	47%	12%
Other Tight Lies	49,332	54%	39,841	52%	24%	248,594	53%	200,746	50%	24%
Irons	423	0%	1,014	1%	-58%	2,551	1%	4,239	1%	-40%
Other	249	0%	131	0%	0%	717	0%	131	0%	0%
Totals	91,176	100%	76,560	100%	19%	470,191	100%	397,693	100%	18%

The following table shows the major expense categories for the company in dollars and as a percent of sales (actual and budget):

Expense Description	Current Month			Year to Date		
	Dollars	Percent of Sales		Dollars	Percent of Sales	
		Actual	Budget		Actual	Budget
Cost of goods sold	2,467,835	22.7%	29.0%	13,625,444	23.4%	29.0%
Advertising	3,454,516	31.7%	18.4%	11,651,999	20.0%	18.7%
Salaries and Wages	1,230,474	11.3%	9.8%	5,357,393	9.2%	9.6%
Outside Services	260,870	2.4%	3.8%	1,682,746	2.9%	1.8%
Professional Services	409,899	3.8%	1.3%	2,094,702	3.6%	2.1%

ADAMS 001884

Operating Analysis - Continued

The following items impacted net income during the current month:

- ♦ Cost of Goods Sold continues to run consistently under budget due to inherent cost savings associated with the buying components in large volumes and assembling the clubs on a substantially increased scale.
- ♦ Salaries and benefits increased due to three components
 - Increased expenses related to annual incentive bonuses (\$250k over previous months)
 - Increased expenses associated with the rise in headcount.
- ♦ Advertising expenses continue to be greater than the budgeted amounts due to several factors including increased brand/image advertising. See further discussion and detailed explanation of this variance in the Direct Response, Call Center and Customer Service section of this document.
- ♦ Professional services for legal and consulting are still over budget, but continue to decrease.
- ♦ The company is continuing to experience over-runs (63 employees total) in headcount in nearly every division. The number of employees at June 30, 1998 totaled 299 (including full time equivalents) as compared to the budgeted headcount of 236. See further detail regarding headcount in the individual division/company explanations included in this document.

ADAMS 001885

Wholesale Division

Current month net sales of \$7,320,875 (4.4% below the budget of \$7,655,468) produced a gross margin profit of \$5,665,212 (4.2% above the budget of \$5,435,383). Year to date net sales of \$44,861,197 (12.3% above the budget of \$39,944,233) produced a gross margin of \$34,418,480 (21.4% above the budget of \$28,359,296).

The following items impacted operating profit in the current month:

- ♦ Salaries and benefits remained relatively flat with the increase as a percentage of sales due to decreased sales for the wholesale division for the month of June.
- ♦ Outside services increased due to increased amortization associated with the deferred compensation for the Nick Faldo agreement, as well as, increased amortization of deferred compensation relating to certain outside consultants.
- ♦ Bad Debt Expense for the month was favorably impacted by improved credit and collection procedures.
- ♦ Headcount for the Wholesale Division for the month ended June 30, 1998 totaled 40 as compared to a budget of 39 resulting in an overage of 1 employee.

ADAMS 001886

Wholesale Division – Continued

Current month and year to date sales information is as follows:

		Current Month		Year to Date	
			Avg.		Avg
		Units	Dollars/ Unit	Units	Dollars/ Unit
Drivers:	Graphite	1,462	134	6,528	134
	Steel	267	93	1,131	87
16o Tight Lies:	Graphite	20,478	136	124,236	135
	Steel	4,513	99	28,084	101
Other Tight Lies:	Graphite	27,112	136	163,219	136
	Steel	6,476	100	37,735	101
Irons		50	48	368	60
Other		26	59	76	44
Totals		60,384	129	361,377	129

Current month gross sales of \$7,802,878 less sales returns of \$482,003 (6.2%) produced net sales of \$7,320,875. Year to date gross sales of \$46,704,931 less sales returns of \$1,843,734 (3.9%) produced net sales of \$44,861,197.

The following table shows the major expense categories for this division in dollars and as a percent of sales.

Expense Description	Current Month			Year to Date		
	Dollars	Percent of Sales		Dollars	Percent of Sales	
		Actual	Budget		Actual	Budget
Salaries and Wages	285,956	3.9%	2.5%	1,267,456	2.4%	3.8%
Outside Services	98,252	1.3%	0.9%	527,324	1.0%	1.6%
Advertising	13,496	0.2%	0.1%	675,369	1.3%	0.8%

- ♦ Salaries and Wages have increased as a percentage of sales as compared to the year to date percentages due to reduced sales revenues for the Wholesale division during the current month.

ADAMS 001887

Direct Response, Call Center, & Customer Service Company

Current month net sales of \$1,158,888 (24.1% below the budget of \$1,526,056) produced an operating profit of \$330,534 (12.3% below the budget of \$542,263). Year to date net sales of \$6,807,536 (7.2% below the budget of \$7,335,374) produced an operating profit of \$2,153,584 (10.5% below the budget of \$2,405,102).

Also, this division provides the marketing and advertising services for all divisions of Adams Golf, Inc. In this capacity, advertising expenses incurred in the current month are \$3,437,473 (89.7% above the budget of \$1,811,666). Year to date advertising expenses incurred is \$10,964,206 (18.7% above the budget of \$9,237,016). Production costs incurred in the current month are \$135,238 (3.0% below the budget of \$366,666). Year to date production costs is \$1,904,652 (12.5% below the budget of \$2,176,664).

The following items impacted operating profit during the current month:

- ♦ June inbound sales opportunities among the Adams Call Center and the Outgoing Groups totaled 10,190 of which 4,424 units (43%) were converted to sales. Those sales are broken down as follows:

	<u>Opportunities</u>	<u>Sales</u>	<u>Revenue</u>	<u>Conversion Rate</u>
Adams Call Center	5,513	3,213	594,405	58%
Third Party Inbound	4,677	1,211	224,057	26%
Total	10,190	4,424	818,462	43%

- ♦ Third Party Outbound telesales produced 1,760 units in sales or total revenue of \$325,536.
- ♦ The Symposium Software System intended for June delivery was not available. This contributed to inordinate staffing and scheduling challenges.
- ♦ In June, the Call Center assumed the responsibility of handling all inbound Wholesale Sales customer service issues. This increased inbound call volume by over 300 calls per day and required an additional 4 employees for Customer Service activities. This computes to fewer sales call per representative and a greater number of overflow calls to outsourcers.
- ♦ The quality of service being provided by our outsourcing groups continues to deteriorate as the call volume and sales opportunities decline.
- ♦ Salaries and benefits increased due to new hires and increased expenses related to annual incentive bonuses.
- ♦ Headcount for the Direct Response, Call Center, and Customer Service Division for the month ended June 30, 1998 totaled 35 as compared to a budget of 37 resulting in a positive variance of 2 employees.

ADAMS 001888

Direct Response, Call Center, & Customer Service Company - Continued

Current and year to date sales information is as follows:

Demo and sample tight lies negatively effected current month average prices.

Current month gross sales of \$1,309,923 less sales returns of \$151,035 (11.5%) produced net sales of \$1,158,888. Year to date gross sales of \$7,780,054 less sales returns of \$972,517 (12.5%) produced net sales of \$6,807,536.

		Current Month		Year to Date	
			Avg.		Avg.
		Units	Dollars/ Unit	Units	Dollars/ Unit
Drivers:	Graphite	116	128	537	141
	Steel	33	115	101	128
16o Tight Lies:	Graphite	2,489	192	18,522	211
	Steel	1,480	161	10,486	170
Other Tight Lies:	Graphite	2,623	173	11,331	172
	Steel	1,059	141	3,903	147
Irons		57	45	230	52
Other		39	51	125	41
Totals		7,896	170	45,235	184

The following table shows the major expense categories in dollars and as a percent of sales (actual and budget):

Expense Description	Current Month			Year to Date		
	Dollars	Percent of Sales		Dollars	Percent of Sales	
		Actual	Budget		Actual	Budget
Outside Services	161,480	13.9%	2.7%	1,124,656	14.1%	5.5%
Royalties	274,601	23.7%	17.6%	1,455,961	18.3%	15.2%
Salaries and Wages	153,230	13.2%	14.5%	589,545	7.4%	13.7%

ADAMS 001889

Direct Response, Call Center, & Customer Service Company - Continued

Total company advertising costs incurred in the current month and year to date are shown below in dollars and as a percent of sales (actual and budget).

Expense Description	Current Month			Year to Date		
	Dollars	Percent of Sales		Dollars	Percent of Sales	
		Actual	Budget		Actual	Budget
Advertising - Media Direct Response	1,328,387	12.2%	12.1%	6,013,005	10.3%	12.2%
Advertising - Media-Brand	1,958,229	18.0%	2.6%	2,347,655	4.0%	2.0%
Advertising-Production	135,238	2.3%	3.7%	1,904,652	3.3%	4.3%
Advertising - Other	15,619	0.1%	0.0%	698,893	1.2%	0.0%

- With regard to Advertising all components have remained relatively close to the budgeted amounts for the month of June with the exception of Brand/Image Advertising which has exceeded budget for the month by approximately \$1.7 million. The major components which have driven spending for the month over-budget were: increased television commercials that were accelerated in order to maximize key seasonality (approximately \$400k), an increased emphasis on the drive to retail through newspaper advertising (approximately \$500k), and the acceleration of radio advertising from the fourth quarter budget to the current quarter to maximize key seasonality (approximately \$500k), with the remainder of the increase attributable to individually insignificant items.

The marketing department has stated that they will be within budget for advertising expenditures for 1998.

The current month media direct response advertising of \$1,098,387 is comprised of the following:

Direct Response Media:	June 1998	YTD
Infomercial media purchases	528,816	2,314,972
Print media purchases	256,773	1,795,785
Spot media purchases	318,481	901,359
Other	(5,683)	(28,638)

ADAMS 001890

Custom Fitting Division

Current month net sales of \$214,373 (4.7% below the budget of \$225,000) produced an operating contribution to margin of \$168,558 (5.5% above the budget of \$159,750). Year to date net sales of \$1,146,826 (2.9% below the budget of \$1,180,893) produced an operating profit of \$549,964 (5.1% above the budget of \$523,383).

The following items impacted operating profit during the current month:

- ♦ Salaries and benefits increased due to new hires and increased expenses related to annual incentive bonuses
- ♦ Headcount for the Custom Fitting Division for the month ended June 30, 1998 totaled 7 as compared to a budget of 6 resulting in an overage of 1 employee.

Current month and year to date sales information is as follows:

		Current Month		Year to Date	
		Units	Avg. Dollars/ Unit	Units	Avg Dollars/ Unit
Drivers:	Graphite	108	122	363	116
	Steel	3	77	18	99
16o Tight Lies:	Graphite	359	127	2,227	133
	Steel	30	81	218	97
Other Tight Lies:	Graphite	687	125	2,932	131
	Steel	71	165	308	96
Irons		303	75	2,304	72
Other		169	79	745	71
		<u>1,730</u>	<u>113</u>	<u>9,115</u>	<u>109</u>

Current month gross sales of \$222,593 less sales returns of \$8,220 (3.7%) produced net sales of \$214,373. Year to date gross sales of \$1,184,035 less sales returns of \$37,209 (3.1%) produced net sales of \$1,146,826.

ADAMS 001891

International Division

Current month net sales of \$2,191,797 (421.9 % above the budget of \$420,000) produced an operating profit of \$1,490,756 (639.1% above the budget of \$201,704). Year to date net sales of \$5,512,634 (142.9% above the budget of \$3,242,825) produced an operating profit of \$3,572,868 (234.2% above the budget of \$1,068,931).

The following items impacted operating profit in the current month:

- ♦ Headcount for the International Division for the month ended June 30, 1998 totaled 3 as compared to a budget of 2 resulting in an overage of 1 employee.
- ♦ International operations continued to be favorably impacted as sales continue to increase while none of the advertising dollars budgeted for use by the department has been required to be utilized.

Current month and year to date sales information is as follows:

		Current Month		Year to Date	
		Units	Avg. Dollars/ Unit	Units	Avg. Dollars/ Unit
Drivers:	Graphite	147	104	680	104
	Steel	38	77	69	74
16o Tight Lies:	Graphite	9,488	104	21,707	103
	Steel	161	77	3,422	77
Other Tight Lies:	Graphite	10,957	104	26,453	103
	Steel	347	77	2,713	77
Irons		13	15	13	15
Other		15	42	69	12
Totals		21,166	103	55,126	100

Current month gross sales of \$2,191,797 less sales returns of \$0 (0.0%) in the current month produced net sales of \$2,191,797. Year to date gross sales of \$5,547,312 less sales returns of \$34,679 produced net sales of \$5,512,633.

ADAMS 001892

International Division - Continued

The table below shows the major expense categories for this division in dollars and as a percent of sales (actual and budget)

Expense Description	Current Month			Year to Date		
	Dollars	Percent of Sales		Dollars	Percent of Sales	
		Actual	Budget		Actual	Budget
Salaries and Wages	22,698	1.0%	2.6%	106,668	1.4%	2.7%
Advertising	-	0.0%	10.7%	29,339	0.4%	9.3%
Royalties	109,550	5.0%	8.0%	297,550	3.9%	9.9%

- ♦ Royalties have increased as a percentage of sales as compared to the year to date amounts due to the 5% Royalty agreement with Nick Faldo effective May 1, 1998

ADAMS 001893

Customer Rankings

Sales to the top ten customers for the current month totaled \$2,771,519 or 25.5% of the net sales of \$10,883,360. A listing of the current month top ten customer sales follows:

Customer Name	Amount	
1 Kindai Golf Ltd - Japan	856,800	International
2 Golfsmith International	317,044	Domestic
3 Edwin Watts Corporate	295,227	Domestic
4 Manatee Golf	289,611	Domestic
5 WDC Mackenzie Distribution Ltd.	258,461	International
6 Golf - Technik - Germany	253,425	International
7 Leandro Tiribelli - Argentina	200,128	International
8 Golf Day	106,891	Domestic
9 Wally's Discount Golf	101,998	Domestic
10 Golf Dimensions	91,934	Domestic
	<u>2,771,519</u>	

Year to date sales to the top ten customers totaled \$11,367,029 or 19.5% of the net sales of \$58,328,195. A listing of the year to date top ten customer sales follows:

Customer Name	Amount	
1 Golfsmith International	2,264,443	Domestic
2 WDC Mackenzie Dist. L.T.D.	1,844,430	International
3 Edwin Watts Corporate	1,552,909	Domestic
4 Golf Day	1,324,340	Domestic
5 Kindai Golf Ltd.	1,164,040	International
6 Family Golf Centers Inc.	907,173	Domestic
7 Golf Technik	649,994	International
8 Sports Authority Inc.	637,901	Domestic
9 Leandro Tiribelli	519,286	International
10 Dick's Sporting Goods	502,513	Domestic
	<u>11,367,029</u>	

ADAMS 001894

Operations Division

During the current month, the Operations Division incurred total expenses of \$627,907 of which \$618,467 was transferred to inventory costs. Year to date total expenses incurred is \$2,794,282 of which \$2,679,773 was transferred to inventory costs.

The ending inventory balance for the current month increased 18.6% to \$9,669,873 from \$7,356,818 at the end of the previous month. The increase is due to the Company purchasing inventory on a pattern to accommodate increased sales volumes forecasted early in 1998. Based on revised forecasts, it does not appear that those volumes will be reached thus, causing the inventory level to rise over a number of months.

- ♦ Headcount for the Operations Division for the month ended June 30, 1998 totaled 141 as compared to a budget of 100 resulting in an overage of 41 employees.

Below is a summary of the major expense categories for the current month and year:

Expense Description	Actual - June		Actual - YTD	
	Total Costs	Cost Per Unit	Total Costs	Cost Per Unit
Salaries & Wages	248,709	2.38	1,163,866	2.15
Costs Transferred to Inventory	618,467	5.93	2,674,345	4.93

Inventory at December 31, 1997 and June 30, 1998 was comprised of the following:

	12/31/97	6/30/98
Finished Goods (less used)	1,840,198	3,645,104
Used Clubs	111,025	339,926
Components	2,535,741	5,684,843
Total	<u>4,486,963</u>	<u>9,669,873</u>

The standard costs used for ending inventory consist of the following:

	Graphite	Steel
Head	11.00	11.00
Shaft	10.60	3.60
Grip	1.10	1.10
Headcover	1.40	1.40
Labor & Overhead	4.55	4.25
Total Standard Cost	28.65	21.35

ADAMS 001895

General & Administrative

During the current month, general and administrative expenses incurred before income taxes totaled \$1,275,011. Provisions for federal and state taxes totaled \$922,188. Year to date expenses totaled \$6,453,075 and year to date provisions for federal and state taxes totaled \$7,218,671. The following item impacted General & Administrative expenses:

- ♦ Headcount for the various departments comprising General & Administrative totaled 63 for the month ended June 30, 1998 as compared to a budget of 52 resulting in an overage of 11 employees.

Below is a summary of the major expense categories for the month and year to date along with a comparison to budget. Salaries and wages increased due expenses related to amortization of deferred compensation associated with stock option awards and an increase in the annual incentive bonus accrual.

Expense Description	Current Month			Year to Date		
	Actual	Budget	Percent	Actual	Budget	Percent
			Over (Under) Budget			Over (Under) Budget
Professional Services	373,638	120,500	210 1%	1,926,551	1,020,757	88 7%
Salaries & Wages	474,841	298,246	59.2%	2,018,161	1,606,440	25 6%
Miscellaneous Expense	-690	33,500	-102.1%	503,188	415,173	21 2%

Outstanding accounts receivable at month end were \$17,163,130 for wholesale customers and \$224,686 for direct response customers. The amount reserved for uncollectible receivables was \$1,148,803 at month end.

The aged wholesale customer accounts receivable summary for the previous two months is shown below along with the days sales outstanding in the month end receivable balance.

Wholesale Customers:

Date	Days Sales Outstanding	Total Receivable	Current	61-90 days	91-120 days	120-180 days	over 180 days
6/30/98	45 3	17,203,959	13,733,300	1 814 011	838 582	464,052	354 014
		Percent	79 83%	10 54%	4 87%	2 70%	2 06%
5/31/98	47 9	18,526,228	15,306,021	1 745 557	681 494	455,500	337 656
		Percent	82 62%	9 42%	3 68%	2 46%	1 82%

ADAMS 001896

General & Administrative - Continued

The aged accounts receivable summary for direct response customers at month end for the previous two months is as follows:

Direct Response Customers:

Date	Total Receivable	Current	31-60 days	61-90 days	over 90 days
6/30/98	209,787	117,397	59,106	30,383	2,901
	Percent	55.96%	28.17%	14.48%	1.38%
5/31/98	306,877	138,905	106,055	48,739	13,178
	Percent	45.26%	34.56%	15.88%	4.29%

The top nineteen wholesale customers accounts receivable balances at the end of the current month totaled \$4,665,162 (27.1% of the total balance of \$17,203,959) and are listed below:

	Customer Name	Amount	0 - 60 days	61-120 days	> 120 days	Comments
1	WDC Mackenzie Dist. Ltd.	893,420	791,878	101,542	0	
2	Golf Day	546,703	546,703	0	0	
3	Kindai Golf, Ltd.	446,071	446,071	0	0	
4	Edwin Watts Corporate	393,799	393,799	0	0	
5	Golfsmith International	398,051	383,130	14,921	0	
6	Family Golf Centers	354,407	325,921	28,486	0	
7	Manatee Golf	290,556	290,556	0	0	
8	Nevada Bobs	290,471	267,509	19,605	3,357	Sent correspondence for a portion of the overdue balance
9	Special Tee	132,296	79,619	51,616	1,061	
10	Sports Authority	124,952	97,552	27,400	0	
11	Wally Discount Golf	106,361	106,361	0	0	
12	Bavarian Village	103,096	539	102,557	0	
13	Golf Dimensions	92,170	92,170	0	0	
14	Somerton Springs Inc.	89,665	89,665	0	0	
15	Hackers Helper Golf Shops	85,181	45,982	39,199	0	
16	Las Vegas Golf & Tennis	82,139	68,220	13,919	0	
17	Hank Haney Golf Ranch	80,955	51,881	29,074	0	
18	Dimensions In Sport	77,557	77,557	0	0	
19	AGS Inc.	77,312	53,376	23,936	0	
		4,665,162	4,208,489	452,255	4,418	

ADAMS 001897

General & Administrative - Continued

Current month capital expenditures totaled \$153,808 and year to date expenditures totaled \$3,045,108. Capital expenditures for the current month and year to date along with a comparison to budget are as follows:

	Current Month	Year to Date	1998 Estimate	1998 Plan	1997 Actual
Equipment	4,959	36,449	178,000	353,660	88,742
Computer	57,477	714,731	920,000	920,000	281,742
Software	26,569	1,330,274	3,700,000	416,000	256,006
Telecommunications	42,802	572,218	575,000	800,000	94,748
Furniture & Fixtures	22,001	344,738	394,000	250,000	61,453
Leasehold Imp.	-	46,698	100,000	27,000	-
Automobiles	-	-	18,000	18,000	-
Total Net Expenditures	153,808	3,045,108	5,885,000	2,784,660	782,691

Headcount by department for the current month is as follows:

	Actual Headcount @ 6/30/98	Consultants	Temp. Emp.	Total Headcount @ 6/30/98	Budgeted Headcount @ 6/30/98	(Over)/ Under
Inside Sales	40	-	-	40	39	(1)
Call Center & Customer Service	30	-	-	30	31	1
Direct Response	5	-	-	5	6	1
Custom Fitting	7	-	-	7	6	(1)
International	3	-	-	3	2	(1)
Operations - Assembly	101	-	-	101	81	(20)
Operations - Warehouse	39	-	-	39	18	(21)
Facilities	1	-	-	1	1	-
Customer Financial Service	22	-	9	31	27	(4)
Accounting	10	-	-	10	7	(3)
Information Technology	6	5	-	11	7	(4)
Executive	8	-	-	8	8	-
Legal & Human Resources	2	-	-	2	2	-
Research & Development	1	-	-	1	1	-
	275	5	9	289	236	(53)

ADAMS 001898

Adams Golf, Inc.
Comparative Balance Sheet
June 30, 1998

	Balance @ 12/31/97	Balance @ 6/30/98
<u>Assets</u>		
<u>Current Assets</u>		
Cash	1,955,563	3,363,813
Accounts Receivable	7,670,960	16,239,013
State Income Tax Refundable	221,637	221,637
Inventory	4,486,563	9,669,873
Prepaid Expenses	509,350	788,782
Deferred Income Tax Assets	390,164	766,399
Other Current Assets	715,670	898,794
Total Current Assets	15,949,907	31,948,311
Property, Plant and Equipment:		
Equipment, net	97,957	119,785
Computers and Software, net	386,215	1,987,738
Telecommunications, net	20,052	544,594
Furniture and Fixtures, net	99,599	348,838
Leaseholds, net	-	46,980
Total P.P. & E. Net	603,823	3,047,935
Deferred Income Tax Assets	182,621	711,666
Other Assets	623,728	240,576
Total Assets	17,360,079	35,948,488
<u>Liabilities and Stockholder's Equity</u>		
<u>Liabilities</u>		
Current Liabilities		
Notes Payable to Shareholder	-	534,899
Accounts Payable	377,622	2,614,836
Federal Income Taxes Payable	1,020,980	2,208,894
Accrued Expenses	7,636,157	8,735,075
Total Current Liabilities	9,034,759	14,093,704
Notes Payable to Shareholder	-	-
Total Liabilities	9,034,759	14,093,704
<u>Stockholder's Equity</u>		
Common Stock	15,719	19,099
Additional Paid In Capital	14,123,398	27,202,480
Common Stock Subscription	-	(147,129)
Deferred Compensation	-	(11,705,377)
Retained Earnings/(Deficit)	(1,159,580)	(5,813,797)
Current Earnings/(Deficit)	(4,654,217)	12,299,508
Total Stockholder's Equity	8,325,320	21,854,784
Total Liabilities and Stockholder's Equity	17,360,079	35,948,488

ADAMS GOLF, INC.

Statement of Cash Flows (Indirect Method)
Six Months Ended June 30, 1998

	Current Month	Year To Date
Cash flows from operating activities:		
Net income	1,368,513	12,299,509
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	160,819	645,772
Loss on retirement of fixed assets	-	101,222
Deferred compensation expense amortization	117,911	447,108
Deferred income taxes	(146,403)	(434,186)
Allowance for doubtful accounts	33,689	1,148,805
Changes in assets and liabilities:		
Trade and other receivables	1,445,286	(9,716,858)
Inventory	(1,514,464)	(5,183,311)
Prepaid expenses	748,295	(279,433)
Other current assets	(87,069)	(183,124)
Other assets	(336,895)	244,246
Accounts payable	(179,230)	2,237,214
Accrued expenses	1,916,118	1,098,919
Federal income taxes payable	(1,404,173)	1,187,914
Net cash provided by operating activities	2,122,396	3,613,796
Cash flow from investing activities - purchase of equipment	(144,371)	(3,008,255)
Cash flows from financing activities:		
Initial public offering costs	(100,427)	(515,039)
Proceeds from notes payable and line of credit	-	7,135,041
Repayment of line of credit borrowings	-	(6,000,000)
Repayment of notes payable	-	(600,142)
Issuance of common stock	-	782,850
Net cash provided by financing activities	(100,427)	802,710
Net increase (decrease) in cash and cash equivalents	1,877,598	1,408,251
Cash and cash equivalents at beginning of period	1,486,216	1,955,563
Cash and cash equivalents at end of period	3,363,814	3,363,814
Supplemental disclosure of cash flow information:		
Interest paid	-	27,732
Income taxes paid	2,621,213	6,508,932

Adams Golf, Inc.
Wholesale Division
Consolidated Income Statement
For the Six Months Ending June 30, 1998

	Current Month				Year to Date			
	Actual	% of Sales	Budget	Difference Amount %	Actual	% of Sales	Budget	Difference Amount %
Net Sales	7,320,875	100.0%	7,655,468	(334,593) -4.4%	44,861,197	100.0%	39,944,233	4,916,964 12.3%
Cost of Goods Sold	1,655,663	22.6%	2,220,085	(564,422) -25.4%	10,442,717	23.3%	11,584,937	(1,142,220) -9.9%
Gross Margin	5,665,212	77.4%	5,435,383	229,829 4.2%	34,418,480	76.7%	28,359,296	6,059,184 21.4%
Operating Expenses:								
Selling Expense								
Salaries and Wages	285,956	3.9%	191,129	94,827 49.6%	1,267,457	2.8%	986,440	281,017 28.5%
Advertising	13,496	0.2%	9,750	3,746 38.4%	675,369	1.5%	237,410	437,959 184.5%
Professional Services	98,252	1.3%	70,000	28,252 40.4%	527,324	1.2%	437,563	89,761 20.5%
Other Selling Expense	49,189	0.7%	38,000	11,189 29.4%	259,992	0.6%	189,083	70,909 37.5%
Total Selling Expense	446,893	6.1%	308,879	138,014 44.7%	2,730,142	6.1%	1,850,496	879,646 47.5%
General and Administrative Expense								
Professional Services	16,725	0.2%	-	16,725 0.0%	94,872	0.2%	-	94,872 0.0%
Bad Debt	90,000	1.2%	243,964	(153,964) -63.1%	636,213	1.4%	1,255,527	(619,314) -49.3%
Other G & A Expense	30,650	0.4%	44,889	(14,239) -31.7%	145,083	0.3%	170,458	(25,375) -14.9%
Total G & A Expense	137,375	1.9%	288,853	(151,478) -52.4%	876,168	2.0%	1,425,985	(549,817) -38.6%
Total Operating Expenses	584,268	8.0%	597,732	(13,464) -2.3%	3,606,310	8.0%	3,276,481	329,829 10.1%
Operating Profit	5,080,944	69.4%	4,837,651	243,293 5.0%	30,812,170	68.7%	25,082,815	5,729,355 22.8%

ADAMS 001901

Adams Golf, Inc.
Direct Response Division
(Excluding Advertising Expenses)
For the Six Months Ending June 30, 1998

	Current Month				Year to Date			
	Actual	% of Sales	Budget	Difference Amount %	Actual	% of Sales	Budget	Difference Amount %
Net Sales	1,158,888	100.0%	1,526,056	(367,168) -24.1%	6,807,536	100.0%	7,335,374	(527,838) -7.2%
Cost of Goods Sold	209,012	18.0%	442,556	(233,544) -52.8%	1,316,201	19.3%	2,127,258	(811,057) -38.1%
Gross Margin	949,876	82.0%	1,083,500	(133,624) -12.3%	5,491,335	80.7%	5,208,116	283,219 5.4%
Operating Expenses:								
Selling Expense								
Salaries and Wages	153,230	13.2%	221,899	(68,669) -30.9%	589,546	8.7%	938,351	(348,805) -37.2%
Professional Services	161,480	13.9%	41,074	120,406 293.1%	387,144	5.7%	422,067	(34,923) -8.3%
Royalty Expense	274,601	23.7%	268,264	6,337 2.4%	2,218,917	32.6%	1,408,999	809,918 57.5%
Other Selling Expense	(22,518)	-1.9%	1,000	(23,518) -2351.8%	(187,000)	-2.7%	(86,110)	(100,890) 117.2%
Total Selling Expense	566,793	48.9%	532,237	34,556 6.5%	3,008,607	44.2%	2,683,307	325,300 12.1%
General and Administrative Expense								
Amortization Expense	32,493	2.8%	-	32,493 0.0%	178,483	2.6%	32,654	145,829 446.6%
Bank Service Charges	8,034	0.7%	-	8,034 0.0%	61,908	1.2%	32,112	49,796 155.1%
Other G & A Expense	12,022	1.0%	9,000	3,022 33.6%	70,770	1.0%	52,097	18,673 35.8%
Total G & A Expense	52,549	4.5%	9,000	43,549 33.6%	331,161	4.9%	116,863	214,298 637.5%
Total Operating Expenses	619,342	53.4%	541,237	78,105 14.4%	3,339,768	49.1%	2,800,170	539,598 19.3%
Other Revenue/Expense	-	0.0%	-	- 0.0%	2,017	0.0%	(2,844)	4,861 -170.9%
Operating Profit	330,534	28.5%	542,263	(211,729) -39.0%	2,153,584	31.6%	2,405,102	(251,518) -10.5%

ADAMS 001902

Adams Golf, Inc.
Direct Response Division
Marketing & Advertising Expenses
For the Six Months Ending June 30, 1998

	Current Month				Year to Date			
	Actual	% of Total Sales	Budget	Difference Amount	Difference %	Actual	% of Total Sales	Budget
Advertising Expenses:								
Advertising - Media Direct Response	1,328,387	12.2%	1,190,000	138,387	11.6%	6,013,005	10.3%	6,405,352
Advertising - Media Brand	1,958,229	18.0%	255,000	1,703,229	667.9%	2,347,656	4.0%	655,000
Advertising - Production	135,238	1.2%	366,666	(231,428)	-63.1%	1,904,652	3.3%	2,176,664
Advertising - Other	15,619	0.1%	-	15,619	0.0%	698,893	1.2%	-
Total Advertising Expenses	<u>3,437,473</u>	<u>31.6%</u>	<u>1,811,666</u>	<u>1,625,807</u>	<u>89.7%</u>	<u>10,964,206</u>	<u>18.8%</u>	<u>9,237,016</u>
								<u>1,727,190</u>
								<u>18.7%</u>

Adams Golf, Inc.
Custom Fitting Division
Consolidated Income Statement
For the Six Months Ending June 30, 1998

	Current Month				Year to Date				
	Actual	% of Sales	Budget	Difference	Actual	% of Sales	Budget	Difference	
				Amount				%	Amount
Net Sales	214,373	100.0%	225,000	(10,627)	1,146,826	100.0%	1,180,893	(34,067)	-2.9%
Cost of Goods Sold	45,815	21.4%	65,250	(19,435)	280,780	24.5%	342,459	(61,679)	-18.0%
Gross Margin	168,558	78.6%	159,750	8,808	866,046	75.5%	838,434	27,612	3.3%
Operating Expenses:									
Selling Expense									
Salaries and Wages	45,033	21.0%	38,198	6,835	193,903	16.9%	201,971	(8,068)	-4.0%
Travel	3,774	1.8%	4,000	(226)	28,230	2.5%	24,299	3,931	16.2%
Advertising	-	0.0%	-	-	11,287	1.0%	3,070	8,217	267.7%
Professional Services	1,137	0.5%	9,000	(7,863)	30,589	2.7%	39,981	(9,392)	-23.5%
Other Selling Expense	1,714	0.8%	-	1,714	29,237	2.5%	999	28,238	2826.6%
Total Selling Expense	51,658	24.1%	51,198	460	293,246	25.6%	270,320	22,926	8.5%
General and Administrative Expense									
Office Supplies	1,095	0.5%	-	1,095	5,865	0.5%	1,196	4,669	390.4%
Bad Debt Expense	-	0.0%	6,750	(6,750)	10,000	0.9%	35,427	(25,427)	-71.8%
Other G & A Expense	1,242	0.6%	500	742	6,971	0.6%	8,108	(1,137)	-14.0%
Total G & A Expense	2,337	1.1%	7,250	(4,913)	22,836	2.0%	44,731	(21,895)	-48.9%
Total Operating Expenses	53,995	25.2%	58,448	(4,453)	316,082	27.6%	315,051	1,031	0.3%
Operating Profit	114,563	53.4%	101,302	13,261	549,964	48.0%	523,383	26,581	5.1%

ADAMS 001904

Adams Golf, Inc.
International Division
Consolidated Income Statement
For the Six Months Ending June 30, 1998

	Current Month				Year to Date					
	Actual	% of Sales	Budget	Difference Amount	%	Actual	% of Sales	Budget	Difference Amount	%
Net Sales	2,191,797	100.0%	420,000	1,771,797	421.9%	5,512,634	100.0%	2,269,809	3,242,825	142.9%
Cost of Goods Sold	560,278	25.6%	121,800	438,478	360.0%	1,478,398	26.8%	658,245	820,153	124.6%
Gross Margin	1,631,519	74.4%	298,200	1,333,319	447.1%	4,034,236	73.2%	1,611,564	2,422,672	150.3%
Operating Expenses:										
Selling Expense										
Salaries & Wages	22,698	1.0%	10,996	11,702	106.4%	88,466	1.6%	43,130	45,336	105.1%
Advertising	-	0.0%	45,000	(45,000)	-100.0%	29,258	0.5%	204,239	(174,981)	-85.7%
Royalty Expense	109,550	5.0%	33,600	75,950	226.0%	315,752	5.7%	251,002	64,750	25.8%
Other Selling Expense	4,375	0.2%	-	4,375	0.0%	15,830	0.3%	16,438	(608)	0.0%
Total Selling Expense	136,623	6.2%	89,596	47,027	52.5%	449,306	8.2%	514,809	(65,503)	-12.7%
General and Administrative Expense										
Professional Services	4,000	0.2%	6,750	(2,750)	-40.7%	10,903	0.2%	27,000	(16,097)	-59.6%
Other G & A Expense	140	0.0%	150	(10)	-6.7%	1,159	0.0%	824	335	40.7%
Total G & A Expense	4,140	0.2%	6,900	(2,760)	-40.0%	12,062	0.2%	27,824	(15,762)	-56.6%
Total Operating Expenses	140,763	6.4%	96,496	44,267	45.9%	461,368	8.4%	542,633	(81,265)	-15.0%
Operating Profit	1,490,756	68.0%	201,704	1,289,052	639.1%	3,572,868	64.8%	1,068,931	2,503,937	234.2%

ADAMS 001905

Adams Golf, Inc.
Operations Division
Consolidated Income Statement
For the Six Months Ending June 30, 1998

	Current Month				Year to Date			
	Actual		Budget		Actual		Budget	
	Total Cost	Cost Per Unit	Total Cost	Difference Amount %	Total Cost	Cost Per Unit	Total Cost	Difference Amount %
Operating Expenses:								
Salaries & Wages	248,709	2.30	202,612	46,097 22.8%	1,163,866	2.66	1,029,520	134,346 13.0%
Postage and Freight	111,939	1.04	50,000	61,939 123.9%	433,968	0.99	298,123	135,845 45.6%
Costs Transferred to Inventory	(618,467)	(5.73)	(245,810)	(372,657) 151.6%	(2,679,773)	(6.12)	(1,276,364)	(1,403,409) 110.0%
Other G & A Expense	267,259	2.48	107,463	159,796 148.7%	1,196,448	2.73	114,218	1,082,230 947.5%
Total Operating Expenses	<u>9,440</u>	<u>0.09</u>	<u>114,265</u>	<u>(104,825) -91.7%</u>	<u>114,509</u>	<u>0.26</u>	<u>165,497</u>	<u>(50,988) -30.8%</u>

ADAMS 001906

Adams Golf, Inc.
General and Administrative
Consolidated Income Statement
For the Six Months Ending June 30, 1998

	Current Month				Year to Date			
	Actual	Budget	Difference		Actual	Budget	Difference	
			Amount	%			Amount	%
General and Administrative Expense:								
Salaries & Wages	474,841	298,246	176,595	59.2%	2,018,161	1,606,440	411,721	25.6%
Miscellaneous	(690)	33,500	(34,190)	-102.1%	446,405	415,173	31,232	7.5%
Professional Services	373,638	120,500	253,138	210.1%	1,926,549	1,020,757	905,792	88.7%
Depreciation	42,010	60,905	(18,895)	-31.0%	327,290	254,338	72,952	28.7%
Software Licensing & Maintenance	8,106	-	8,106	0.0%	166,303	31,436	134,867	429.0%
PC Software	26,788	750	26,038	3471.7%	159,105	65,910	93,195	141.4%
Research & Development	135,248	58,000	77,248	133.2%	673,680	362,756	310,924	85.7%
Other G & A Expense	215,070	103,329	111,741	108.1%	735,582	420,655	314,927	74.9%
Total G & A Expense	1,275,011	675,230	599,781	88.8%	6,453,075	4,177,465	2,275,610	54.5%
Other Income (Expense):								
Interest Revenue	11,488	-	11,488	0.0%	33,634	6,673	26,961	404.0%
Other Revenue	-	(125,000)	125,000	-100.0%	(103,239)	(500,000)	396,761	-79.4%
Interest Expense	(15,662)	(10,835)	(4,827)	44.6%	(43,394)	(127,508)	84,114	-66.0%
Total Expenses Before Income Taxes	1,279,185	811,065	468,120	57.7%	6,566,074	4,798,300	1,767,774	36.8%
Income Tax Expense	922,188	1,080,331	(158,143)	-14.6%	7,218,671	5,440,109	1,778,562	32.7%
Total Expenses	2,201,373	1,891,396	309,977	16.4%	13,784,745	10,238,409	3,546,336	34.6%

ADAMS 001907

Adams Golf, Inc. Operating Analysis

Sales units for the current month and year to date are as follows:

	Current Month					Year to Date				
	Actual		Budget		% Diff.	Actual		Budget		% Diff.
	Units	%	Units	%		Units	%	Units	%	
Drivers	2,174	2%	1,543	2%	41%	9,427	2%	6,737	2%	40%
16o Tight Lies	38,998	43%	34,031	44%	15%	208,902	44%	185,840	47%	12%
Other Tight Lies	49,332	54%	39,841	52%	24%	248,594	53%	200,746	50%	24%
Irons	423	0%	1,014	1%	-58%	2,551	1%	4,239	1%	-40%
Other	249	0%	131	0%	0%	717	0%	131	0%	0%
Totals	91,176	100%	76,560	100%	19%	470,191	100%	397,693	100%	18%

The following table shows the major expense categories for the company in dollars and as a percent of sales (actual and budget):

Expense Description	Current Month			Year to Date		
	Dollars	Percent of Sales		Dollars	Percent of Sales	
		Actual	Budget		Actual	Budget
Cost of goods sold	2,467,835	22.7%	29.0%	13,625,444	23.4%	29.0%
Advertising	3,454,516	31.7%	18.4%	11,651,999	20.0%	18.7%
Salaries and Wages	1,230,474	11.3%	9.8%	5,357,393	9.2%	9.6%
Outside Services	260,870	2.4%	3.8%	1,682,746	2.9%	1.8%
Professional Services	409,899	3.8%	1.3%	2,094,702	3.6%	2.1%

ADAMS 001908

EXHIBIT 402

Number of Units - Tight Lies Only

	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>	<u>YTD</u>
Total Company	188,898	268,598	203,445	64,049	660,941
Direct Response	20,205	24,037	14,967	7,939	59,209
International	13,929	40,366	32,654	21,229	86,949
Custom Fitting	3,022	2,663	1,915	704	7,600
Inside Sales	151,742	201,532	153,909	34,177	507,183

ADAMS028669

EXHIBIT 403

December 2, 1998

Adams Golf Update:

1. 1998 WDC invoiced sale of Adams clubs by month:

January	378 units
February	1,014
March	3,629
April	2,788
May	2,293
June	3,083
July	1,150
August	380
September	1,538
October	535
November	290 estimate
Total year-to-date	17,078 units

2. Clubs purchased from Adams

1996	335 units
1997	4,800
1998	22,000 approx.

3. Other comparables from the 1998 Canadian market

These figures are from the first three calendar quarters of 1998

Green Grass	46 %	Off Course	54 %
Right Hand clubs	82 %	Left Hand	18 %
Graphite	73 %	Steel	27 %
1-800 # sales from Plano since mid-September 1998			10 units

MCK00050

4. The Costco effect

WDC's 1998 wholesale price until August - for graphite	\$235 Cdn.
Market retail price of Adams until April (before Costco)	\$329 - \$349
Retailers margin on Adams clubs (before Costco)	29 - 33%

Costco's selling price - starting April in some markets	\$249.99
Market retail price after Costco	\$299.99
Retailers margin April to August 1998	22 %

WDC's wholesale as of August 1998, due to weak Cdn. dollar	\$255.00 *
Retailers margin from august to present @ \$299 retail	15 %

- Costco's retail price is lower than WDC's wholesale.

MCK00051

EXHIBIT 404

REDACTED

EXHIBIT 405

2901 Summit Avenue, Suite 100
Plano, Texas 75074
www.adamsgolf.com
e-mail: info@adamsgolf.com
Fax: (972) 424-0721
Tel: (800) 622-0609
(972) 422-7060



Effective April 10, 1998

RETURNS

Returns for Custom Fitting Accounts and Retail Customers (Purchased directly through Adams Golf only)

- No returns will be accepted without prior written authorization (RA#). Return authorization numbers are issued and approved only by the Department Supervisor.
- Goods returned for any reasons other than defective merchandise or wrong product must be shipped by customer freight prepaid.
- All golf clubs are covered by an unconditional two-year warranty against defects in components or materials and workmanship (Defective merchandise). This warranty shall be inclusive of all parts for any and all products that shall be proven defective during the time of this warranty under normal use in which Adams Golf, Inc. is proven to be at fault, excluding misuse or abuse.
- All golf clubs (classified as defective merchandise) purchased within 90 days will be replaced totally new upon receipt of goods.
- All golf clubs (classified as defective merchandise) purchased over 90 days will be repaired upon receipt of goods.

Note: If customer wants the replacement sent before Adams Golf receives defective merchandise, a credit card must be obtained. Credit card will be charged for a new club and it will be credited upon receipt of defective merchandise.

- All wood repairs classified as defective merchandise, will be shipped within two business days via 2nd Day air. All iron repairs classified as defective merchandise, will be shipped within three business days via 2nd day air. Any other type of repair (not classified as defective merchandise) will be shipped within three business days for woods and five business days for irons.

ADAMS 002790

EXHIBIT 406

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
5/6/1998	18424	Buddy wts me to call next Wed for PTP payment and why..JQ	VP1	Ledington Country Club-Lexington, KY
5/6/1998	18544	Spoke w/Brian and gave info concerning inv#10022160-he will research & call me back--explained order #1027889 on hold...kv	VP1	Smithfields Country Club-Easley, SC
5/6/1998	18711	CR MEM FOR ALL INV'S CHARGED TAX	VP1	Mira Vista Country Club-Ft Worth, TX
5/6/1998	18711	ON ACT CR MEM FOR 450.14 IS FOR ALL INV'S PAID INCLUDING THE TAX.EC-PULL CR MEM FOR LIST OF THESE INV'S.EC	VP1	Mira Vista Country Club-Ft Worth, TX
5/6/1998	18890	contacted golf shop , but was told to contact Barry at 828-0431--attempted to contact--not in--imtc...kv	VP1	Professional Golf Shop-Madison AL
5/6/1998	18890	Barry cl & stated that he would mail ck for inv#10019389 by Friday--explained order #1028930 on hold...kv	VP1	Professional Golf Shop-Madison AL
5/6/1998	19062	trans ck 1852 to cust 20305	VP1	
5/6/1998	19132	PER NANCY CK. TO BE MAILED THURS. #10748 FOR INV. #10019954. CR.	VP1	Cliffs Golf & Country Club-Landrum, SC
5/6/1998	19145	Get this Andrew called to cancel his order since our clubs are in Costco (not by our choice) in the Virginia area. I told Andrew that would be fine since he is on credit hold anyway and his now a COD account!	VP1	Pro Golf Discount-Fairfax, VA
5/6/1998	19146	It Laura: the ck 7835 never put in an appearance on her account, I will research. Customer is actually up to date.	VP1	Pro Golf Discount-Memphis, TN
5/6/1998	19163	SPOKE TO LEONA-SHE WILL OVER NIGHT CK TODAY FOR 38328.00 AND 534. NEXT WEEK. SAID SHE SHOULD HAVE AROUND 5000 DUE IN CREDITS FROM A PRICE CHANGE.	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
5/6/1998	19163	Called Leona-LM on physical address--will call her again today for PTP amt sent; Glenda -SR- brought to att that on inv#10011690 02/02 yr pr chrg for 175 steel TL(\$132 per club, should be \$102); Cr Memo to be written up by SR through JQ-cr and turned in to	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
5/6/1998	19163	Sherry..When talking to Leona I will relay matter..JQ	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
5/6/1998	19736	SAW	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19736	SAW MARK. CLMS HAS BEEN SAW JAY ABOUT 3 OR 4 TIMES ASKING THAT WE GIVE HIM RA# AS DIDNT ORDER AND WANTS TO RETURN. HE HAS REFUSED TO PAY ON THE OTHER AS HE CLMS DOESNT TRUST US..I TRIED TO EXPLAIN THAT IST I NEED TO KNOW WHICH INVOICE HE WAS SPEAKING	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19736	ABOUT..HE WILL GET INFO AND I W/C/B...THIS GUY IS VERY UPSET AND IS NOT AT ALL BELIEVING WHAT S/R JAY IS SAYING..CLMS CLUBS BEEN IN BOX AND WAITING FOR APPROX 6 MONTHS...PS	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19736	ALSO WHEN HE RETURNS HE REFUSES TO PAY FREIGHT SINCE HE DIDNT ORDER..PS	VP1	Alan Yamamoto Golf, Inc.-Honolulu, HI
5/6/1998	19805	Meiba does not wk here-at#3323945; line busy..JQ	VP1	Meadowbrook Golf Club-Gainesville, FL
5/6/1998	19894	Spoke w/Mark--requested fax of inv#10021666 and he will mail ck today--faxed inv...kv	VP1	West Lake Country Club-Augusta, GA

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ADAMS041074

<i>Def</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/1/1998	101853	no answer at 4:47 (central)...kv	VP1	Tucumcari Municipal-Tucumcari, NM
6/1/1998	101854	Lmtc (Yolee)...kv	VP1	Truth or Consequences Mun GC-Tr or Co,NM
6/1/1998	101952	CALLED TWICE 6/01 N/A..BH	VP1	Callail Creek of Glenwood-Glenwood, MD
6/1/1998	101990	06/01/98 INV 1345 & 5750 NET 60 DAYS. PMR	VP1	MIA Enterprises Ltd Pro Golf of Bel Air
6/1/1998	102014	LMTC	VP1	
6/1/1998	102074	Per Rowena-called Louann and she will fax to me list of country clubs they handle...kv	VP1	Minebrook GC-AP Corp-Hacketstown, NJ
6/1/1998	102076	FYI... we do not have an account with Price Club/CostCo. I have spoken to Mr. Choy re: this matter and so has Craig. Let me know if he gives you any problems. Thanks.	VP1	Centerville Golf Center-Centerville, VA
6/1/1998	102077	NA;Ed comes in at 4PM (Tx time),JQ	VP1	Golf Center-Mount Pleasant, PA
6/1/1998	102077	Ed will try to send for inv#10021556-\$439.22 in June; will FLU w/ Ed late June on more PTP,JQ	VP1	Golf Center-Mount Pleasant, PA
6/1/1998	102138	DORIS MORGAN OUT OF OFFICE WILL RETURN 6/02...BH	VP1	Channelview Golf Lounge-Channelview, TX
6/1/1998	102384	recvd a modification of bill-they want credit for 144.00 for a cenc club	VP1	Pinas Golf Course-Fort Euless, VA
6/1/1998	102593	submitted paperwork to Emily to have this acct noted as a Dup...please see c#32371..kv	VP1	
6/1/1998	102867	inv#10018692 & 10021621 are net 60...kv	VP1	
6/1/1998	103096	TT KEVIN PTP INV..10019540,936.00..FOUND INV WHILE ON PHONE WITH HIM..WILL TAKE OF ASAP...BH	VP1	Cascade Fairways-Orem, UT
6/1/1998	103208	Customer is sending check for Mar. Invoice today...	VP1	Mike Diffley C-Pelham Manor Golf Course
6/1/1998	103208	Update on previous message... Ronnis spoke with Chris and said ck went out 4 days ago... if it's here then don't send the 6/1 club as a ccd...	VP1	Mike Diffley C-Pelham Manor Golf Course
6/1/1998	103274	Attempted to contact Jerry-na at 4:20...kv	VP1	
6/1/1998	103405	Do NOT USE. The good # is now 40744 all billing now goes to Gant Sports in Denver. These two Companies have merged	VP1	
6/1/1998	103437	TT STAN, LEAVE MESS OR RETURN CALL A/P OUT OF OFFICE RETURN 6/2..10.00 AM..BH	VP1	Whitetail Golf Course-Beth, PA
6/1/1998	103711	LMTC;NA	VP1	Golf Farm Teaching Center-Newark, NY
6/1/1998	103778	cust credit card should not have been charged for the 234.75 no club was ordered. turned in req to have it credited back to card	VP1	
6/1/1998	103863	lmtc for David.	VP1	Pelostkey Bayview CC-Pelostkey, MI
6/1/1998	103899	Lmtc (Jim)...kv	VP1	Timbers Golf Club-Tuscola, MI

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ADAMS041242

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/8/1998	30077	LMTC FOR MARIA..PS	VP1	
6/8/1998	30225	TWO CALLS N/A...BWH	VP1	Essex County Country Club-W Orange, NJ
6/8/1998	30277	submitted paperwork to have 'on acct'--applied to inv#10013751 & 10011693....kv	VP1	Palos Verdes Golf Club-Palos Verde Ea, CA
6/8/1998	30343	This may or may not have any bearing but he was located very close to a Costco who was carrying the clubs. Recently another account of mine purchased up all the clubs at that particular Costco so hopefully he will have better sales again. Thanks. (just a little FYI)	VP1	Merrifield Golf Inc-Fairfax, VA
6/8/1998	30343		VP1	Merrifield Golf Inc-Fairfax, VA
6/8/1998	30363	SAW FRANK..CLMS WILL HAVE TO GET WITH BKPR AND HAVE HER C/B..ASKED IF HE WAS THE OWNER..CLMS ONE OF THEM..ALSO DIANE..PS	VP1	Pro Golf Discount-Warwick, RI
6/8/1998	30589	DON CALLED TODAY LET KNOW CHECK FOR 303.17 MAILED TODAY.	VP1	Piedmont Golf Shop-Winston-Salem, NC
6/8/1998	30573	VINCE CALLED IN..HE WILL BE PAYING HIS ENTIRE BALANCE ON C.C. AFTER HE GOES OVER THE INVOICES I JUST FAXED HIM. INV.#10021327 HAS SOME RUSH CHARGES ON CLUBS THAT WE BACK ORDERED. HE DID NOT REQUEST THE RUSH, SO I AM WRITING UP A CREDIT MEMO FOR \$33.26	VP1	Chill Country Club-- DO NOT USE**
6/8/1998	30573	TOWARDS THE INVOICE.	VP1	Chill Country Club-- DO NOT USE**
6/8/1998	30573	VINCE GAVE ME HIS C.C.# TO PAY OFF INV.#S 10032113, 10030011, 10019453 & 10021327 . \$33.26. THE TOTAL WILL COME TO \$2,271.09.	VP1	Chill Country Club-- DO NOT USE**
6/8/1998	30840	As per the customer's request, this account is no longer to be used to order new merchandise all orders for this customer are to be placed on their main corporate account: 05906.	VP1	
6/8/1998	30711	ORD#1043392 CANCELLED AT CREDIT MANAGER'S REQUEST.	VP1	Dons Golf & Tennis-Miami, FL
6/8/1998	30733	submitted paperwork to have this noted as a Dup acct--please see cr#04249....kv	VP1	
6/8/1998	31065	SAW DAN BOB OUT ON MON RETURN TUE...BWH	VP1	Fresh Pond Golf Course-Cambridge, MA
6/8/1998	31132	I CALLED REGARDING INV.#10026655 BECAUSE IT IS STILL OPEN & THEY HAVE AN ORDER ON HOLD. I WAS INFORMED BY THEIR ACCOUNTS PAYABLE PERSON THAT THAT INVOICE HAD BEEN CHANGED TO NET 90. I WILL FOLLOW UP WITH JAY.	VP1	Mr Ba Discount Pro Shop-Eatonstown, NJ
6/8/1998	31207	It Carolyn: she believes that the value of the merchandise returned should be equal to the balance left on the Dec invoice.	VP1	Timber Greens-New Port Richey, FL
6/8/1998	31222	Spoke w/Violet--she stated that ck should cut this Friday for inv#25291--she could not guarantee though--she asked for me to call her Friday & check...kv	VP1	Pro Am Golf Shop-Raleigh, NC
6/8/1998	31231	Attempted to contact Dave--not in--lmtc....kv	VP1	Outbound Golf-Littleton, CO
6/8/1998	31472	lmtc on v-mail for James	VP1	Half Moon Bay Golf Links-Half Moon Ba, CA
6/8/1998	32241	ord1031215 cancelled	VP1	Jack Tone Golf-Ripon, CA

<i>DeCustomer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
8/11/1998 30772	SWW DEBBIE..CLMS NEEDS TO SEE WHERE HER CKS-1941-1991-2051 WAS APPLIED TO..SENT HER STATEMENT AND SHE IS TO CBI..TOLD HER \$ WAS APPLIED BETWEEN 2 ACCTS..THIS ONE AND ACCT# 17793..ALSO SHE ONLY HANDLES CADDY SHACK IN LIVONIA...NOTHING ELSE..PS	VP1	Pro Golf Discount-Livonia, MI
8/11/1998 31090	CUST HAS A DUP ACCT OTHER CUST # 101319AG STILL HAS A DUE INV'S THE CKS WHERE POSTED ON THIS ACCT WHILS RIGHT ACCT....BWH	VP1	Atlanta Country Club-Atlanta, FL
8/11/1998 31145	Tom too busy to ck clubs-call tomorrow.JQ	VP1	Golf Etc-Las Cruces, NM
8/11/1998 31145	Tom wts inv#10025510 to be faxed-FLU to see if rec fax.JQ	VP1	Golf Etc-Las Cruces, NM
8/11/1998 31564	It Mike some time ago, must have not left notes, he has copies of his past due invoices and will research/pay if nec.	VP1	Louisiana State University-Baton Rouge, LA
8/11/1998 32241	Spoke w/George--he is upset about Costco situation--he is keeping clubs and will pay once this is straightened out--I explained that I was following up on previous note--no problem...kv	VP1	Jack Tone Golf-Ripon, CA
8/11/1998 32338	The a/p guy is John. Imtc for him with the really rude guy who answered the phones.	VP1	J & B Golf Cily *DO NOT USE*
8/11/1998 32535	Operator sd area code is 301;no listing to be found;called SR-Katherine-LMTC.JQ	VP1	Golf USA-Lavele, MO
8/11/1998 32804	*****NACM DISTRESSED DEBTOR REPORT*****	VP1	Golf Shop-Mechanicsburg, PA
8/11/1998 40374	Imtc for Debbie, the account is past due and the new orders cannot be released until the account is utd.	VP1	Las Vegas Golf & Tennis
8/11/1998 40465	Rein Eric call-LM;Terry not in yet-call later;PTP-\$1953.74 ch#5205 today;call Eric w/ info.JQ	VP1	Meadowbrook Country Club-Palestine, TX
8/11/1998 40747	gave anhw10010687 (credit memo request) to sherry to approve - (debit/credit) cust sent in one ck to pay for two diff cust.	VP1	Golf USA-Fredericksburg, VA
8/11/1998 100050	NA;Frank ed on inv#10011681 for \$3295.47, \$2932.15 was pd-\$354.32 still shows bal;sd used \$107 cr memo and \$248.49(tax chrg) towards amt of bill pd.Research to be done to credit this invoice off system.JQ	VP1	Ford Senior Player Championship-Orbn, MI
8/11/1998 100654	BIR RAN BY VW. LIMIT SET AT 5G BY VW.	VP1	Golf Connection-Salt Lake City, UT
8/11/1998 101058	Clint to get w/ Larry-FLU to me today.JQ	VP1	Eagle Golf-New York, NY
8/11/1998 101191	Lm on answering machine (Laura)...kv	VP1	RDC Golf-Neptune, NJ
8/11/1998 101211	*****NACM DISTRESSED DEBTOR REPORT 5/4/99*****	VP1	Marlboro Country Club-W. Boylston, MA
8/11/1998 101263	Imtc on voice mail (mat)...kv	VP1	Golf Shack-Fond Du Lac, WI
8/11/1998 101300	Talk to Eric-SR-cust lives in Mass;not Miss;chg of address needed;INV#10014379 was sent to wr state will resend inv today;PTP-\$1811.65 in 2 wks; DONT HOLD ORDERS because of Adams mistake.FLU to see if inv is rec.JQ	VP1	
8/11/1998 101535	ED-PTP-\$1827.30 in June.JQ	VP1	

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/24/1998	103822	NA	VP1	Greenville Country Club-Greenville, KY
6/24/1998	103873	CUST. CALLED PAY INV. #10050070 WITH C.C. COPY TO ROWENA. CR.	VP1	Fritz George Enterprises-Port Huron, MI
6/24/1998	104147	06/24/98 CLD TT BOB SAID THAT HE WILL PAYING PD INV IN 500.00 EITHER EVERY 2 WEEKS OR A WEEK INSTALMENT TLD HIM ORDER 1050745 ON HOLD AND I WILL CANCEL SINCE THIS IS GOING TO TAKE AWHILE AND THEN HE CAN REORDER ONCE PD BAL PAID. PMR	VP1	Bobs Sporta World-Waterford, NY
6/24/1998	104471	THIS ACCOUNT HAS NOTHING TO DO WITH CUST.#04214.	VP1	Rehoboth Beach CC-Rehoboth Beach, DE
6/24/1998	104484	Attempted to contact John--not in--re-mailed inv#10024863 & 10032694 (past due) to John...kv	VP1	Scotts Corner GC-Montgomery, NY
6/24/1998	104779	LMTC for Jim.JQ	VP1	Hamlet Golf & CC-Commack, NY
6/24/1998	105277	LMTC for chg of address.JQ	VP1	
6/24/1998	105277	Called w/ chg of address.JQ	VP1	
6/24/1998	105529	Spoke w/Cindy--she said that checks are mailed 1st and 15th--they will mail ck for inv#10028891 & 10033843 1st of July...kv	VP1	Rupert Country Club Pro Shop-Rupert, ID
6/24/1998	106832	tt Glen: he will pay past due balance today. knows ord1046399 on hold	VP1	Terry Brae Golf Club-Glenwood, NY
6/24/1998	108517	Customer wants extra daling due to the clubs being in Costco His customers are buying from them.	VP1	Green River Golf Club-Corona, CA
6/24/1998	108556	NACM LIMIT 4G	VP1	Dorset Field Club C S M Inc-Dorset, VT
6/24/1998	109272	phil sent in ck on 18th for \$1152. ck #1836	VP1	London Country Club-London, KY
6/24/1998	109751	Spoke to Mark, has not had any sell thru. Will lower price to \$199 and try to sell thru July 4th weekend. If no sell, he will return..If sells he will forward payment the following week. I will work with closely. Call glenda at 9042 with questions	VP1	Antelope Hills Golf-Dubois, WY
6/24/1998	115421	06/24/98 DO NOT GO OVER LIMIT CALL CUSTOMER TELL THEM ORDER 1046399 \$ 13,115.XX WILL NOT RAISE CRDT LIMIT FOR THIS ORDER. NO GOING OVER C/L. CLD LMTC TDA. PMR	VP1	Bob & Phils Golf Discount-El Cajon, CA
6/24/1998	118053	nacm shows no info. \$2000 credit line.	VP1	Beechwoods Golf Course-Southfield, MI
6/24/1998	120555	REFS RESP. LIMIT 4G	VP1	Sonny's Golf Shop-Desoto, TX
6/24/1998	120625	terms set at COD. several collection accts from last year.	VP1	Rama Hill CC-Berrego Springs, CA
6/24/1998	121614	BIR RAN 6-23. LIMIT 2G	VP1	Harbour View Golf Company
6/24/1998	121652	NACM LIMIT 2G	VP1	Fairgreens Country Club-Wellston, OH
6/24/1998	121688	NACM LIMIT 4G	VP1	Sunset Country Club-Sumter, SC
6/24/1998	121689	NACM LIMIT 2G	VP1	Northwood Golf Course-Columbia, SC

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ADAMS041435

<i>DaCustomer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/25/1998 16296	it Barbara: according to her records, crdct0010139 for \$139.00 was applied to/ pd balance of arlnv10021989, this credit memo has most likely been applied to some other account associated with American Golf Corp., the mother company for this shop. i	VP1	Trailis Country Club-Norman, OK-AG
6/25/1998 16296	will pull up a copy of the cm and see to whom it was applied.	VP1	Trailis Country Club-Norman, OK-AG
6/25/1998 17100	Attempted to contact Lou--Lmic..kv	VP1	
6/25/1998 17183	CRAIG CALLED HIS CK. WAS RETURNED TO HIM BECAUSE HE SENT IT TO WRONG LOCKBOX. THE CK. IS BACK IN MAIL TODAY TO CORRECT P.O. BOX IN THE AMT. OF \$1,152.00 FOR INV. #10033779. CR.	VP1	Pro Shop of Turf Valley In-Ellicott C/MD
6/25/1998 17226	customer is having problems selling clubs due to costco. mark g went to see them. they are going to work out a pmt arrangement over 4 pmts to get acct pd. don't hammer these guys for pmt. just call and work out arrangements.	VP1	Pro Golf Discount-Bolse, ID
6/25/1998 18013	Brenda cl and requested fax of credit memo 10015348--faxed credit memo to her...kv	VP1	Las Vegas Golf & Tennis-Las Vegas, NV
6/25/1998 18067	Al cl to have inv#10050060 chrged to cc--submitted paperwork to have \$1,304.53 chrged to cc....kv	VP1	A & L Golf Shop-Danville, VA
6/25/1998 18303	Lmic (Louann)...kv	VP1	Spencer T Olin Comm GC-AP Corp-Allon, IL
6/25/1998 18666	06/25/98 CLD LMTCC FOR MR. KIM. PMR	VP1	Ace Pro Golf Shop-Chicago, IL
6/25/1998 18710	Lmic (mike)...kv	VP1	Top Ten Sporting Events-Oklahoma City, OK
6/25/1998 18771	relax per BOB-JQ	VP1	Hearststone Country Club-Houston, TX
6/25/1998 18771	Fax finally rec-PTP-\$1519.54.JQ	VP1	Hearststone Country Club-Houston, TX
6/25/1998 19163	ADD'L. CREDIT HAS BEEN REQUESTED FOR INV. #10011690. CUST. CLAIMS SHORT A TOTAL OF 5 CLUBS. C.M. #10012122 WAS ISSUED FOR 1 CLUB. NEED CREDIT FOR 4 X 132.00 = \$528.00. CR.	VP1	Oshmans Sporting Goods, Inc.-Houston, TX
6/25/1998 19171	gave credit report to vickie. we will not ship to cust until balance is paid and until we have a completed credit app on file. acct has been chgd to NONEWBW until we have a credit appl.	VP1	Golf Zone-Fort Myers, FL
6/25/1998 20407	06/25/98 CLD LMTCC FOR PETE RG ORDER 1051160, 1051163. PMR	VP1	Blue Ridge Country Club-Harnsburg, PA
6/25/1998 30206	06/25/98 CLD WANTS ORDER ON HOLD SNT CQD GAURANTEED FOR ORD1050317 WANTS THIS ONE SAME WAY AND ACCOUNT CHANGE WILL ASK SHERRY. REALLY WANTS REGULAR CQD. PMR	VP1	Golf USA-Franklin, MA
6/25/1998 30206	we recd a personal check from cust over 2 weeks ago that has apparently gone thru ok. ok to release order on cod. pls check order to see that it is going on cod with a cod amount in the comments. lks...sb	VP1	Golf USA-Franklin, MA
6/25/1998 30206	changed terms to cod	VP1	Golf USA-Franklin, MA
6/25/1998 30699	06/25/98 CLD TT BS SAID OTHER BOB TAKING CARE OF PROBABLY ...05/26 SAID TRIPLE SHIPPED ALL MERCHANDISE ASKED HIM ON WHAT WOULDNT GO INTO IT. SAID DIDNT WANT TO SEND ANYTHING BACK SO. ORDER 1051086. PMR	VP1	Golf USA-Las Cruces, NM

Page 648 of 2117

ADAMS041441

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/25/1998	101284	UPS broke a driver in shipping. The customer called in and told me that UPS took the club back and I am shipping a new one out today. Please note that the order on 5-20 ag#216000 is the broken club and I told them not to pay the invoice.	VP1	Pine Wood Country Club-Siddell, LA
6/25/1998	101300	cust was perfectly aware that he rec'd clubs and apparently knew our number so he could order more. no more orders till acct pd. cust had ample opportunity to contact us to get bill paid.	VP1	Mariboro Country Club-W. Boylston, MA
6/25/1998	101708	no additional orders go out until we find out why cust refused order. pls call cust to find out why.	VP1	GlenMary Country Club-Louisville, KY
6/25/1998	102062	Lee rein f club on Call Tag from inv#10039405.JQ	VP1	Hidden Lakes Golf Course-Derby, KS
6/25/1998	102070	CUST HAS DUPLICATE ACCOUNT #102482AG	VP1	Piqua Country Club-Piqua, OH
6/25/1998	102076	Mr Choy still has many concerns with Coatesco. I think he may be happy if we can extend his terms further. He needs a ladies set for a friend. I am not sure what to do at this point. You may be able to get some money out of him. call me. ext.9016	VP1	Centerville Golf Center-Centerville, VA
6/25/1998	102077	Ed out on tournament-call tomorrow.JQ	VP1	Golf Center-Mount Pleasant, PA
6/25/1998	102141	cdi they sent in a ck to us that should have gone to another vender, ck#98033 for \$169.21 which cleared our bank on 4/28. I will find this ck and submit a ck return request for the customer.	VP1	Moorhead DOWNTOWN Scheels-Moorhead, MN
6/25/1998	102533	tt John: he was double shipped the \$916.50 invoice and sent the second shipment back, he has a credit on the account of \$893.00 that should perhaps be for the full amount of the second (5/12) invoice. I faxed a copy of the account summary to the customer to compare to his records.	VP1	Tam O'Shanter GC-W Middlesex, PA
6/25/1998	102533	submitted paperwork to have 'on acct' \$511.42 applied to inv#10021835...kv	VP1	Tam O'Shanter GC-W Middlesex, PA
6/25/1998	103067	lmtc (nick)...kv	VP1	Swinglin Things Inc-Jacksonville, NC
6/25/1998	103154	06/25/98 RCVD CK 12388 FOR 1819.15 PAID PD INV 26915 REL ORDER TDA 1041846 TDA .PMR	VP1	TGC Inc-Cleveland, OH
6/25/1998	103720	06/25/98 CLD LMTC . PMR	VP1	Golf Center-Mt Pleasant, MI
6/25/1998	103808	cancelled order 1050742 until uld	VP1	B P Resorts-Staunton, VA
6/25/1998	104147	cancelled order 1046474 until uld	VP1	Bobs Sports World-Waterford, NY
6/25/1998	104147	Spoke w/Scotty--he did not send half amt due like promised in previous note--he stated that sales have been slow due to weather--he will try to send half in 2 weeks for inv#10024472--if not able gave him my # to call & let us know...kv	VP1	Bobs Sports World-Waterford, NY
6/25/1998	104211	06/25/98 CLD TT CHUCK SAID JUST SNT CK AWARE ORDER HLD TILL RV ORDE 1051063. PMR	VP1	Scottys Pro Shop-Providence, KY
6/25/1998	104765	LMTC.JQ	VP1	Morris Country Club-Morris, IL
6/25/1998	104779	Lmtc (Grieg)...kv	VP1	Hamlet Golf & CC-Commack, NY
6/25/1998	104806		VP1	

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ADAMS041443

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
6/29/1998	3857	GAVE TO EMILY TO APPLY ON ACCT AND ALSO TO W/O 30.66 BALANCE...PS	VP1	J & M Enterprises-Simi Valley, CA
6/29/1998	4025	customer returned 10 clubs due to Costco situation to Jeff Keteisen, RAC, for credit.	VP1	Tierneys Golf-Walnut Creek, CA
6/29/1998	4025	06/29/98 CLD SLS MEGAN REGARDING ORDER ON THIS ACCT NEED PROOF CLUBS SENT BACK. PMR	VP1	Tierneys Golf-Walnut Creek, CA
6/29/1998	4166	no answer: ord1052131 (6/26 for \$152.10) is on hold.	VP1	Rolling Hills Country Club-Wilton, CT
6/29/1998	4190	Attempted to contact--no answer at 11:05 central...kv	VP1	Uniontown Country Club-Uniontown, PA
6/29/1998	4214	INV.#10018641 WAS DELIVERED TO THE REHOBOTH GOLF OUTLET ON 100 OCEAN OUTLET MALL. THEY AREN'T EVEN A CUSTOMER OF OURS. TO THE BEST OF MY KNOWLEDGE WE HAVE NOT RECEIVED THE CLUB BACK & IT IS NOT LIKELY THAT WE EVER WILL. IN THE MEANTIME I AM WRITING UP	VP1	Rehoboth Golf Properties-Rehoboth, DE
6/29/1998	4214	A CREDIT MEMO FOR THIS INVOICE FOR THIS ACCOUNT.	VP1	Rehoboth Golf Properties-Rehoboth, DE
6/29/1998	4290	W/O AMOUNT TO OCA	VP1	
6/29/1998	4307	06/29/98 cst did give ax ord for Inv 3952 also enching order 1042532, ord 1048815 also wants order single club gave to sis rep. pmr	VP1	Dan Key Golf Shop
6/29/1998	4307	06/29/98 MIKE LYONS FRM SLS SAID CST WNTS ORDER 1048815 IF WONT FLY REG NET 30 SHIP COD. PMR	VP1	Dan Key Golf Shop
6/29/1998	4307	06/29/98 CLD CUST BACK TO TELL PER ORDER GOING COD. NA PER SLS SAID CUSTOMER WOULD TAKE ORDER COD. SUGGESTED COD DUE TO FACT THAT PAST PAY HISTORY NOT GOOD. PMR	VP1	Dan Key Golf Shop
6/29/1998	4457	****NACM DISTRESS SHOWS 1 ACCT PLACED FOR COLLECTION AND OVER 90 DAYS SHOW 40.4%*****PS	VP1	Pro Golf Discount-Boca Raton, FL
6/29/1998	4543	W/O AMOUNT TO OCA	VP1	Tee To Green-Bloomington, IN
6/29/1998	4564	cancelled order 1037895	VP1	Paramus Golf & Tennis-Paramus, NJ
6/29/1998	4701	W/O AMOUNT TO OCA	VP1	
6/29/1998	4741	SAW DONNA..CLMS WILL FAX OVER PROOF OF PYMT FOR THIS INV..PS	VP1	Stonebriar Country Club-Frisco, TX
6/29/1998	4741	REC COPY OF CK.SAW DONNA AND LET HER KNOW THAT PYMT WAS APPLIED TO 2 OTHER INVS..WILL FAX HER THE INVS THAT IT WAS APPLIED TOO...PS	VP1	Stonebriar Country Club-Frisco, TX
6/29/1998	4800	cancelled order 1039023 until acct uid	VP1	Elmwood Country Club-White Plains, NY
6/29/1998	4800	above note not for this customer... orders cancelled were 1031047, 1040881 until uid	VP1	
6/29/1998	4996	cancelled orders 1031436, 1040251 until uid and account is reviewed	VP1	

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ADAMS041454

<i>Date</i>	<i>Customer</i>	<i>Description</i>	<i>Operator</i>	<i>Name</i>
7/8/1998	12676	This account has a credit coming to them for the clubs which they purchased from Costco. See me if you have any questions. Thanks.	VP1	Gouldom-McLean, VA
7/8/1998	12736	I talked to Wayne today. He thanked us for being so patient with collecting on this account. He said that he will mail a check for half of the amt. due today.sbb	VP1	Colonial Golf & Country Club-Hardhan, LA
7/8/1998	13013	Greg ci and stated that ck should be received for inv#10049123--he stated that cks are sent from corp...also explained to him that order#1055599 amt\$4,939.66 is on hold--he stated that he does not remember this order---forwarded info to sales rep	VP1	The Golf Club
7/8/1998	13013	(Thomas) to call customer and go over order--thought this might save it from being cancelled...kv	VP1	The Golf Club
7/8/1998	13209	Released order#1048483 amt\$2,576.05--ck#0609 is for inv#10018187--gave to Rowena to correct...kv	VP1	Pro Golf Discount-Macon, GA
7/8/1998	15081	LMTc FOR LYNN..PS	VP1	
7/8/1998	16126	1) 8 clubs were received back in to our office on 7/2, totalling \$1152.2) there are \$889 worth of checks posted to account #12508 (duplicate account) 3) many checks have been returned to us having been sent to wrong lock box (see above)	VP1	His Mark Inc-Indian Creek
7/8/1998	16128	I will trans the \$889.97 from 12506 to here.	VP1	His Mark Inc-Indian Creek
7/8/1998	16222	Attempted to contact Wayne--not available--Lmtc (order#1055513 amt\$296.78 on hold)...kv	VP1	Lehigh Country Club-Allentown, PA
7/8/1998	16222	Spoke w/Wayne and he stated that ck would be mailed for inv#10049528 on July 12th--once ck is received order#1056513 will be released...kv	VP1	Lehigh Country Club-Allentown, PA
7/8/1998	16301	LMTc FOR LOUIS..PS	VP1	Willow Creek Golf Course-Brandon, MS
7/8/1998	17076	Mary to fax copy of Visa statement to me--shows inv#10037272 and #10039760 are pd--our comp shows inv open..JQ	VP1	Ken Gorg Golf Shop-Burnsville, MN
7/8/1998	17078	Turned in Visa statement copy faxed to me by Mary to Rowena to get invoices off system..JQ	VP1	Ken Gorg Golf Shop-Burnsville, MN
7/8/1998	17224	TRIED BIA..N/A..PERHAPS THEY ARE NEAR FIRES..PS	VP1	Tee It Up Inc-Oviedo, FL
7/8/1998	18220	SAW LORA..NOT THRU WITH CLOSING..SHE WILL GATHER ALL INFO AND C/B IN AM AS I EXPLAINED HAS ORDERS IN HOUSE BUT NOTHING CAN GO TILL UTD..PS	VP1	Las Vegas Golf & Tennis-Las Vegas, NV
7/8/1998	18220	REC PH CALL FROM LORA WHILE I WAS AT LUNCH WANTING ME TO C/B ASAP..TRIED..LMTc FOR LORA..PS	VP1	Las Vegas Golf & Tennis-Las Vegas, NV
7/8/1998	18220	SAW LORA..GAVE ME 3 CK#S THAT I DONT FIND..CK# 7075 6-4 596.29-----CK# 7358 6-24-----CK# 7356 FOR 2882.45..ALSO CLMS INV 35710 IS FOR 90 DAY TERM..CKD..CORRECT...ROWENA AND I TRIED TO LOCATE MISSING CKS BUT UNABLE TO..CALLED LORA AND LM FOR HER TO	VP1	Las Vegas Golf & Tennis-Las Vegas, NV
7/8/1998	18220	FAX ME COPIES OF CANCELLED CHECKS..PS	VP1	Las Vegas Golf & Tennis-Las Vegas, NV
7/8/1998	18338	Bill returned my call to place two orders, po's b1234, b1235. He mentioned Rich is not with their shop any longer.	VP1	N. J. Golf Headquarters -Oakhurst, NJ

EXHIBIT 407



May 18, 1998

Jim Sinegal
Costco
999 Lake Drive
Issaquah, WA 98027

Dear Mr. Sinegal:

It has come to our attention that you are selling what are claimed to be Adams Tight Lies® golf clubs purchased through your subsidiary, National Clothing. Our records reflect that you have not purchased these clubs from us nor any one authorized to distribute our clubs. Therefore, it appears that the clubs you are selling are counterfeits. As you know, the Adams Tight Lies® golf clubs are patented. We are serious about enforcing our trademark and intellectual property rights. We therefore demand that you cease and desist further sales immediately.

Additionally, we demand the following information:

1. The identity (including name, address and telephone number) of any and all persons or entities from whom you purchased the so-called Adams Tight Lies® golf clubs;
2. Copies of all documents verifying your purchase of the golf clubs; and
3. An explanation of all policies and procedures you have in place to ensure all merchandise sold by you complies with all patent and trademark rights and laws.

We hereby demand that you provide the above information and acknowledge in writing on or before May 22, 1998 that you have removed all so-called Adams Tight Lies® golf clubs from your retail outlet showroom floors and that you have terminated all sales of the product. If we do not receive the information and acknowledgement on or before 5:00pm on that date, please be advised that we will authorize the filing of a lawsuit to protect our interests.

Sincerely,

A handwritten signature in cursive script that reads "B H Adams".

B.H. (Barney) Adams

BHA:afn

cc: Mark Fenick
Jacquie Valenzuela

ADAMS 001505

EXHIBIT 408

MAY 28 '98 16:04 FR COSTCO LEGAL

425 313 8114 TO 919723988818

P.01/03



FAX TRANSMITTAL COVER SHEET

CONFIDENTIALITY NOTE

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TO: B. H. Adams

AT: Adams

DATE: May 28, 1998

Telephone #: (972) 673-9000

Fax #: (972) 398-8818

FROM: Patrick J. Callans

PHONE: (425) 313-6563

Fax #: (425) 313-8114

Total number of pages being sent including cover sheet is: 2

Re: Adams Tight Lies Golf Clubs

COMMENTS:

ADAMS 001498

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MAY 28 '98 16:06 FR COSTCO LEGAL

425 313 8114 TO 919723988818

P.02/03



Writer's Direct Line (425) 313-6563

May 28, 1998

VIA FACSIMILE @ (972) 398-8818

B.H. Adams
Adams
2801 East Plano Parkway
Plano, Texas 75074

Dear Mr. Adams:

This responds to your letter dated May 22, 1998 and received on May 27, 1998. Enclosed, as you requested, is a copy of the certification our vendor(s) signed. We have not included the identities of our vendor(s) because we treat this information as confidential and proprietary. As for the remaining items you have requested, our position should have been clear from my previous letter: because you have given us no legitimate basis for your requests, we respectfully decline them.

Please contact me, or have your attorneys contact me, if you wish to discuss this further.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Callans", with a stylized flourish at the end.

Patrick J. Callans
Corporate Counsel

PJC:nb

ADAMS 001499

MAY 28 '98 16:06 FR COSTCO LEGAL

425 313 8114 TO 919723988818

P.03/03

12/8/97 11:21 AM

Vendor Certificate

VENDOR CERTIFICATE

VENDOR NAME: _____

ITEM# / DESCRIPTION: _____

I HEREBY CERTIFY, WARRANT AND REPRESENT EACH OF THE FOLLOWING TO NATIONAL DISTRIBUTORS, THE PRICE COMPANY, NATIONAL DISTRIBUTORS COSTCO COMPANIES INC, COSTCO WHOLESALE CORP, (COLLECTIVELY "COSTCO ") ABOUT THE ABOVE DESCRIBED PRODUCTS.

1. THESE PRODUCTS ARE GENUINE GOODS AND THE PRODUCTS (INCLUDING THEIR LABELING AND PACKAGING) AND THEIR PURCHASE/ RESALE BY COSTCO WILL NOT VIOLATE OR INFRINGE ANY TRADEMARKS, PATENTS COPYRIGHTS, OR ANY OTHER RIGHTS;

2. NO SERIAL/LABELING NUMBERS OR IDENTIFICATION NUMBERS/CODES ON THE PRODUCTS, OR THEIR LABELING OR PACKAGING, HAVE BEEN OR WILL BE ALTERED, DEFACED OR REMOVED;

3. THE ABOVE PRODUCTS ARE IN THEIR ORIGINAL CONDITION FROM THE MANUFACTURER AND CONTAIN ALL ORIGINAL PRODUCT MANUALS AND INFORMATION, AND NO SEALS OR PACKAGING HAVE BEEN OR WILL BE OPENED;

4. A WRITTEN WARRANTY TO THE CONSUMER IS/IS NOT (CIRCLE ONE) PACKAGED WITH THE PRODUCTS, AND IT WILL/ WILL NOT (CIRCLE ONE) APPLY WHEN THE PRODUCTS ARE RESOLD BY COSTCO .

5. IN OBTAINING THE PRODUCTS, NEITHER VENDOR NOR ANYONE AFFILIATED WITH OR REPRESENTING VENDOR HAS MADE OR WILL MAKE ANY AGREEMENT, COMMITMENT OR REPRESENTATION THAT WOULD BE VIOLATED BY VENDOR'S SELLING THESE PRODUCTS TO COSTCO FOR PURPOSES OF RESALE BY COSTCO IN THE UNITED STATES, CANADA, UNITED KINGDOM TAIWAN, MEXICO OR KOREA;

6. VENDOR AND COSTCO ARE INDEPENDENT CONTRACTORS. VENDOR HAS NOT ACTED OR HELD ITSELF OUT AS AN AGENT OF COSTCO. AND WILL NOT DO SO;

DATED: _____ 19 _____

BY: _____
(SIGNATURE)

PRINT NAME AND TITLE: _____

EXHIBIT 409

FAXED
6/2/98

ADAMS

June 1, 1998

Patrick J. Callans
Corporate Counsel
Costco Wholesale
999 Lake Drive
Issaquah, WA 98027

Dear Mr. Callans:

We are in receipt of and thank you for your letter of May 28, 1998. While we understand that you claim to treat as confidential the identity of the vendors, we do not expect that a vendor of our products would be kept from us as confidential and proprietary information. Therefore, we once again request that you provide us with the executed vendor's certificate which you contend represent evidence of Costco's right to acquire Adams Golf products. Please forward the information by return fax as soon as possible.

Sincerely,

B.H. Adams
B.H. (Barney) Adams

BHA:afn

cc: J. Valenzuela

Post-It® Fax Note		7671	Date	6/2	# of pages	1
To	J. Valenzuela		From			
Co./Dept.			Co			
Phone #			Phone #			
Fax #			Fax #			

ADAMS 001495

EXHIBIT 410

MAY 22 '98 10:39 FR COSTCO LEGAL

425 313 8114 TO 919723988818

P.01/03



FAX TRANSMITTAL COVER SHEET

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TO: B.H. Adams

AT: Adams

DATE: May 22, 1998

Telephone #: (972) 673-9000

Fax #: (972) 398-8818

FROM: Patrick J. Callans

PHONE: (425) 313-6563

Fax #: (425) 313-8114

Total number of pages being sent including cover sheet is: 3

Re: Adams Tight Lies Golf Clubs

COMMENTS:

ADAMS 001501

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MAY 22 '98 10:40 FR COSTCO LEGAL

425 313 8114 TO 919723988818

P.02/03



Writer's Direct Line (425) 313-6563

May 22, 1998

VIA FACSIMILE AND MAIL

B.H. Adams
Adams
2801 East Plano Parkway
Plano, Texas 75074

Dear Mr. Adams:

This responds to your letter, dated May 18, 1998, regarding Costco's sale of Adams Tight Lies golf clubs.

As an initial matter, you should understand that Costco takes seriously all applicable obligations concerning the purchase and sale of merchandise. However, we also defend the principle that in a free market economy we have the right and ability to purchase and resell merchandise that is freely offered to us. In this instance, we purchased Adams golf clubs from a vendor in the United States who certified that, among other things, the clubs are genuine and that there was no agreement, commitment or representation that would be violated by selling the clubs to Costco for resale.

Your letter refers to "counterfeit" golf clubs. Your letter states no foundation for this claim other than that your "records reflect that [Costco has] not purchased these clubs from us nor anyone authorized to distribute our clubs." How could Adams' records show whether or not one of its distributors sold to Costco? Or whether one of its distributors sold to someone who sold to Costco? The fact that Adams did not sell to Costco directly does not mean the clubs are counterfeit. Your claim that Costco is selling counterfeit merchandise is defamatory. If you have any legitimate basis for your claim, please provide it immediately. Otherwise, we demand that you refrain from such serious and unfounded accusations.

Your letter also refers to patent and trademark rights. If you check with your attorneys, they will inform you that the patent and trademark laws do not allow a patent or trademark owner to control the downstream sales of genuine goods after the first sale occurs. In the patent area, see Hensley Equip Co. v. Esco Corp., 383 F.2d 252, 263 (5th Cir. 1967) ("Patent monopoly is 'exhausted' by the first authorized sale of the patented item, and the patent law does not protect attempts to control use of the product after such sale"). In the trademark area, see Sebastian International, Inc. v. Longs Drug Stores Corporation, 53 F.3d 1073, 1074 (9th Cir. 1994) ("the right of a producer to control distribution of its trademarked products does not extend beyond the first sale of the

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product"); NEC Electronics v. Cal Circuit Abco, 810 F.2d 1506, 1509 (9th Cir. 1987) ("Trademark law generally does not reach the sale of genuine goods bearing a true mark even though such sale is without the mark owner's consent"). The Adams Tight Lies golf clubs Costco is selling are genuine. As a result, Adams has no patent or trademark claim.

Costco firmly believes that consumers should have a choice of where -- and at what price -- to purchase genuine, high-quality merchandise, including Adams Tight Lies golf clubs. We will not tolerate attempts to interfere with our legitimate sale of these genuine goods.

Please contact me if you have any questions.

Sincerely,



Patrick J. Callans
Corporate Counsel

PJC:nb

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